

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 AUG -4 P5:50

SENATE

S. No. 1038

RECEIVED BY: _____

Introduced by Senator Francis G. Escudero

AN ACT
EXPANDING THE NUMBER OF QUALIFIED BENEFICIARIES OF THE MAGNA CARTA FOR MICRO, SMALL AND MEDIUM ENTERPRISES BY ADJUSTING THE ASSET THRESHOLD FOR EACH ENTERPRISE CATEGORY, FURTHER AMENDING FOR THE PURPOSE SECTION 3 OF REPUBLIC ACT NO. 6977, AS AMENDED, OTHERWISE KNOWN AS THE MAGNA CARTA FOR MICRO, SMALL AND MEDIUM ENTERPRISES

EXPLANATORY NOTE

The enactment of Republic Act No. 6977 or the Magna Carta for Small Enterprise in 1991 upheld the state policy to promote, support, strengthen and encourage the growth and development of small and medium enterprises in all productive sectors of the economy. Recognizing the pivotal role of Micro, Small and Medium Enterprises (MSMEs) in employment generation and economic development, the law and its subsequent amendments establish mechanisms to provide technical and other forms of assistance to the sector.

Despite the gains afforded by the laws to MSMEs, there are still a number of impediments that prevent the MSME sector from realizing its potential as a generator of jobs and a driver of economic growth. One of these impediments is the outdated definition of business activities and enterprises that may be classified as MSMEs. While Republic Act No. 9501 delegated to the Micro, Small and Medium Enterprises Development Council the power to review and adjust MSME definition, such definition has remained virtually unchanged since 2008. The lack of adjustment in what constitutes MSMEs has created an onerous situation wherein many enterprises are barred from enjoying the benefits of MSME programs and projects that could improve their productivity and competitiveness.

To remedy this situation, this bill proposes to redefine the asset threshold for each MSME category in order to expand the provision of privileges and benefits across more enterprises. Under the proposed measure, the old asset threshold as provided under Republic Act No. 9501 would be adjusted to its present-day value, which would consequently increase the number of enterprises that would be eligible for MSME-related interventions of government. Additionally, the bill provides a stronger mandate for the adjustment of asset thresholds to ensure that the MSME classification remains consistent with the realities of the times.

Drawing inspiration from Senate Bill No. 475 as filed by Sen. Ralph G. Recto in the Eighteenth Congress, it is hoped that this modest intervention can assist in reinvigorating the country's business environment, sustaining the momentum of the Philippine economy, and protecting the critical drivers of growth and development in the country.

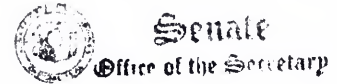
In view of the foregoing, the approval of this measure is earnestly sought.

Respect fully submitted.



FRANCIS G. ESCUDERO

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 Section 1. Section 3 of the Republic Act No. 6977, as amended, otherwise
2 known as the Magna Carta for Micro, Small and Medium Enterprises, is hereby further
3 amended to read as follows:

4 "Sec. 3. *Micro, Small and Medium Enterprises (MSMEs) as*
5 *Beneficiaries.* – MSMEs shall be defined as any business activity or
6 enterprise engaged in industry, agribusiness and/or services, whether
7 single proprietorship, cooperative, partnership or corporation whose total
8 assets, inclusive of those arising from loans but exclusive of the land on
9 which the particular business entity's office, plant and equipment are
10 situated, must have value falling under the following categories:

11 "micro: not more than [P3,000,000] **FOUR MILLION FIVE**
12 **HUNDRED THOUSAND PESOS (P4,500,000.00);**

13 "small: [P3,000,001-P15,000,000] **FROM FOUR MILLION FIVE**
14 **HUNDRED THOUSAND AND ONE PESOS (P4,500,001.00) TO**

1 **TWENTY TWO MILLION FIVE HUNDRED THOUSAND PESOS**
2 **(P22,500,000.00); AND**

3 "medium: [~~P15,000,001-P100,000,000~~] **FROM TWENTY TWO**
4 **MILLION FIVE HUNDRED THOUSAND AND ONE PESOS**
5 **(P22,500,001.00) TO ONE HUNDRED FIFTY MILLION PESOS**
6 **(P150,000,000.00).**

7 "The **TOTAL ASSET THRESHOLD FOR EACH MSME**
8 **CATEGORY** [~~above definitions~~] shall be [~~subject to review and~~
9 ~~adjustments~~] **AUTOMATICALLY ADJUSTED EVERY FIVE (5) YEARS**
10 **AFTER THE EFFECTIVITY OF THIS ACT** by the Micro, Small and
11 Medium Enterprises Development (MSMED) Council [~~under Section 6 of~~
12 ~~this Act or upon recommendation of sectoral organizations concerned,~~
13 ~~taking into account inflation and other economic indicators. The Council~~
14 ~~may use other variables such as number of employees, equity capital and~~
15 ~~assets size~~] **TO ITS PRESENT VALUE USING THE CONSUMER**
16 **PRICE INDEX, AS PUBLISHED BY THE PHILIPPINE STATISTICS**
17 **AUTHORITY.**

18 "x x x."

19 Sec. 3. Implementing Rules and Regulations. – Within thirty (30) days from the
20 effectivity of this Act, the Department of Trade and Industry shall, in coordination with
21 the MSMED Council, promulgate the rules and regulations to effectively implement the
22 provision of this Act.

23 Sec. 4. Separability Clause. – If any portion or provision of this Act is declared
24 unconstitutional, the remainder of this Act or any provision not affected thereby shall
25 remain in force and effect.

26 Sec. 5. Effectivity. – This Act shall take effect immediately following the
27 completion of its publication in the *Official Gazette* or in two (2) newspapers of general
28 circulation.

Approved,